

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JEFFERSON COUNTY SHERIFF

For The Year Ended
December 31, 2007

The Auditor of Public Accounts has completed the Jefferson County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and metro fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the metro government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Jefferson County Sheriff had total receipts of \$25,868,137, which was a \$3,111,201 increase from the prior year. Except for reimbursed expenses in the amount of \$10,287,198, which includes metro government contributions of \$331,744, the sheriff paid 25% of receipts to the Louisville/Jefferson County Metro Government in the amount of \$3,739,122. This was an increase of \$414,801 from the prior year. In addition, operating expenditures decreased by \$1,254,359.

Debt Obligations:

The Sheriff's office is responsible for the following lease:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2007
Six Copy Machines	\$ 814	48 Months	4/10/2010	\$ 23,593

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS	3
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS.....	5
NOTES TO THE FINANCIAL STATEMENTS	7
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Jefferson County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2007. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Louisville/Jefferson County Metro Council

This report is intended solely for the information and use of the Sheriff and members of the Louisville/Jefferson County Metro Council and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 25, 2008

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

Federal Grant		\$	31,285
State Fees for Services			
Attending Courts	\$	2,093,734	
Conveyance of Prisoners		81,184	
Sequestered Jurors		15,494	
KLEFPF		919,282	
Court Security		734,936	3,844,630
Metro Government			331,744
County Clerk			16,316
Commission on Taxes	8,823,461		
Commission on Taxes (Reimbursed)	4,827,105		13,650,566
Fees Collected for Services:			
Auto Inspections	280,515		
Serving Papers	2,157,432		
Serving Papers (Reimbursed)	979		
Executions	23,212		
Executions (Reimbursed)	632,560		
Concealed Weapon License Fees	74,996		
Sheriff's Advertising Fees	59,935		
Data Services	34,498		3,264,127
Other Revenues:			
10% Add On Fee	2,629,989		
Reimbursements	988,609		
DEA & FBI Reimbursements	39,929		
Miscellaneous	34,622		
Katrina Reimbursement	130,358		
Interest Earned	905,962		4,729,469
Total Revenues			25,868,137

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
 JOHN E. AUBREY, SHERIFF
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures

Payments to State:

Reimbursements		\$	921,056
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Other Expenditures:

Executions-Third Parties	\$	630,953	
Serving Papers-Refunds		979	
Sequestered Jurors		15,455	
Cobra Insurance		117,003	
County Fee Adjustment		171	764,561
			<hr/>

Total Expenditures			<hr/> 1,685,617 <hr/>
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Net Revenues			24,182,520
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Payments to State Treasurer:

75% Operating Fund		20,443,398	
25% County Fund		3,739,122	24,182,520
		<hr/>	<hr/>

Balance Due at Completion of Audit		\$	<hr/> 0 <hr/>
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The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2007

	75% Operating Fund	25% Metro Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2007	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	20,443,398		20,443,398
Fees Paid to State - Metro Funds (25%)		3,739,122	3,739,122
	<hr/>	<hr/>	<hr/>
Total Funds Available	20,443,398	3,739,122	24,182,520
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Louisville Metro		2,514,215	2,514,215
Personnel Services-			
Officials Statutory Maximum	101,597		101,597
Officials Incentive Training Pay	3,386		3,386
Deputies' Salaries	10,680,165		10,680,165
Sick Leave Conversion	10,750		10,750
Overtime Gross	481,764		481,764
Employee Benefits-			
Employer's Share Social Security	832,518		832,518
Employer's Share Retirement	3,355,473		3,355,473
Employer's Paid Health Insurance	1,625,796		1,625,796
Employer's Paid Life	6,229		6,229
Unemployment Compensation Insurance	8,915		8,915
Workers Compensation Insurance	238,732		238,732
Contracted Services-			
Advertising	2,960		2,960
Legal Services	22,168		22,168
MIS Services	34,343		34,343
Materials and Supplies-			
Office Materials and Supplies	59,863		59,863
Printing	56,740		56,740
Uniforms	20,615		20,615
Ammunition	24,114		24,114
Computer Supplies	13,012		13,012

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
 JOHN E. AUBREY, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

	75% Operating Fund	25% Metro Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-			
Bonds and Insurance	\$ 430,259	\$	\$ 430,259
Dues	19,637		19,637
Postage	141,798		141,798
Telephone	74,395		74,395
Radio Charges	14,752		14,752
Communication Maintenance	21,972		21,972
Equipment Maintenance	11,257		11,257
Computer Maintenance	3,432		3,432
Office Equipment Rental	10,522		10,522
Rent	23,350		23,350
Utilities	1,396		1,396
Training	29,020		29,020
Travel	82,594		82,594
Subscriptions	6,090		6,090
Physical and Medical	15,097		15,097
Miscellaneous	41,938		41,938
Auto Expenses-			
Gasoline	276,327		276,327
Maintenance and Repairs	156,189		156,189
Vehicle Insurance	136,408		136,408
Parking	159,543		159,543
Capital Outlay-			
Office Equipment	7,427		7,427
Computers	65,998		65,998
Communication Equipment	21,160		21,160
Law Enforcement Equipment	161		161
Vehicles	512,631		512,631
Total Expenditures	19,842,493	2,514,215	22,356,708
Fund Balance - December 31, 2007	\$ 600,905	\$ 1,224,907	\$ 1,825,812

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007
- Payroll expenditures incurred but not paid

The Attorney General issued a letter, which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent for the first six months and 33.87 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Jefferson County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Jefferson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

JEFFERSON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2007
 (Continued)

Note 4. Lease

Commitments to the following lease agreement as of December 31, 2007 were:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31, 2007</u>
Six Copy Machines	\$ 814	48 Months	4/10/2010	\$ 23,593

Note 5. Violence Against Woman Act (VAWA) Grant

The Sheriff was awarded a violence against women investigator/intake center grant from the Kentucky Justice and Public Safety Cabinet. Federal funds in the amount of \$31,285, and matching funds in the amount of \$28,559 were expended.

Note 6. Discretionary Fund

The Sheriff has established a discretionary fund as provided by KRS 64.345. This fund is to cover additional expenses related to homeland security emergencies, academy graduations, retirements, state and national sheriff's conventions, and extraordinary office expenses in amounts authorized by the approving authority. The fund had a beginning balance of \$20,033, \$43,000 in receipts, expenditures of \$36,369, and an ending balance of \$26,664 as of December 31, 2007.

Note 7. State Forfeiture Account

The Sheriff has an account, which is used for receiving forfeited state drug money. This money is used to purchase law enforcement equipment. This account had a beginning balance of \$2,134, revenues of \$1,028, and no expenditures, resulting in an ending balance of \$3,162 as of December 31, 2007.

Note 8. Federal Forfeiture Account

The Sheriff has an account, which is used for receiving forfeited federal drug money. This money is used to purchase law enforcement equipment, for training, for drug education programs, and to make drug buys. This account had a beginning balance of \$109,172, revenues of \$259,227, expenditures of \$45,390, and an ending balance of \$323,009 as of December 31, 2007.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
(Continued)

Note 9. Tax Account Surplus

The Sheriff's tax account surplus totaled \$76,067 as of December 31, 2007 and consisted of the following:

2004 Tax Year Surplus	\$ 22,891
2005 Tax Year Surplus	21,528
2006 Tax Year Surplus	<u>31,648</u>
	<u>\$ 76,067</u>

The Sheriff deposits any unrefundable duplicate payments and unexplained revenues in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Louisville/Jefferson County Metro Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Jefferson County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated August 25, 2008. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Sheriff's financial statements as of December 31, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Louisville/Jefferson County Metro Council, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 25, 2008

